

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTH KENTUCKY RURAL)	
ELECTRIC COOPERATIVE CORPORATION TO)	
EXECUTE ITS NOTE TO NATIONAL RURAL)	
UTILITIES COOPERATIVE FINANCE)	CASE NO. 90-341
CORPORATION IN THE AMOUNT OF)	
\$1,573,196)	

O R D E R

On November 5, 1990, South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") filed its application for approval to borrow funds from the National Rural Utilities Cooperative Finance Corporation ("CFC") and to execute its notes for such loan. The proceeds of this loan were to finance South Kentucky's 1990-1991 Work Plan. South Kentucky received a Certificate of Public Convenience and Necessity for the 1990-1991 Work Plan in Case No. 90-037.¹ These improvements and additions, more specifically described in the application, are estimated to cost \$5,087,000 and will be financed by a \$3,561,000 loan from the Rural Electrification Administration ("REA") and a \$1,573,196²

¹ Case No. 90-037, Application of South Kentucky Rural Electric Cooperative Corporation for a Certificate of Convenience and Necessity to Construct Additional Lines and Facilities, Order dated April 25, 1990.

² The amount borrowed from CFC includes the purchase of capital term certificates, in an amount equal to 3 percent of the total CFC loan. CFC requires its borrowers to purchase these certificates. The purchases required of South Kentucky for this loan total \$47,196. The total amount of the REA and CFC loans equals \$5,087,000.

loan from CFC. On October 8, 1991, South Kentucky filed copies of correspondence received from REA and CFC approving the loans.

The Commission, after consideration of the evidence of record and being advised, finds that:

1. The proposed loan from CFC is for lawful objects within the corporate purposes of South Kentucky, is necessary and appropriate for and consistent with the proper performance by South Kentucky of its service to the public, and will not impair its ability to perform that service.

2. South Kentucky is capable of executing its notes as security for the loan as stated herein.

3. South Kentucky should select the interest rate program which will result in the net lowest cost of money to it over the term of the financing.

4. Within 10 days of its selection of the interest rate program, South Kentucky should notify the Commission in writing of the interest rate program selected and of the reasons for its selection.

5. The proceeds from the proposed loans should be used only for the lawful purposes set out in South Kentucky's application.

6. South Kentucky should include in its monthly financial report to the Commission the current interest rate on its outstanding variable rate loans.

7. As the issuance of securities or evidences of indebtedness subject to the control of a federal governmental agency do not require Commission approval, KRS 278.300(10), and as

the REA is an agency of the federal government, no action on South Kentucky's proposed loan from the REA is required.

IT IS THEREFORE ORDERED that:

1. South Kentucky be and it hereby is authorized to borrow \$1,573,196 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by South Kentucky, at the time the first monies are drawn from CFC, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.

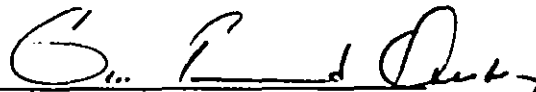
2. South Kentucky be and it hereby is authorized to execute its notes as security for the loan herein authorized.


3. South Kentucky shall comply with all matters set out in Findings 3 through 6 as if they were individually so ordered.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 1st day of November, 1991.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Executive Director

Commissioner